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TAGS: [ENRG](#) [PGOV](#) [PREL](#) [AJ](#) [TU](#) [GA](#)
SUBJECT: AZERBAIJAN: BP ELABORATES ON SHAH DENIZ DELAYS

Classified By: Charge Jason P. Hyland, Reasons 1.4 (b,d)

¶1. (C) SUMMARY: According to BP Azerbaijan, a leak in the first Shah Deniz well, which started production on December 14, has caused production to cease. It will be early January 2007 at the earliest before the leak's cause is known, with subsequent production hinging on the cause of the leak. BP has also pushed back the start dates for the second and third Shah Deniz wells, such that best case the second Shah Deniz well will begin production "early to mid-February at the earliest." END SUMMARY.

¶2. (C) In a December 20 telephone conversation BP Azerbaijan Commercial Vice-President Dr. Phil Home (protect), acting as BP Azerbaijan head in the absence of Bill Schrader, confirmed to EnergyOff reports of production delays with the SD01, the first Shah Deniz production well.

¶3. (C) Home said that BP had informed Azerbaijani Energy Minister Natiq Aliyev on December 18. Home said there is a leak from the tubing around the first well into the 'annulus' (note: the tube-shaped void between the drill string and the formation). This leak was causing a pressure build-up which had to be continually bled off. Home explained that this problem was common, but when it occurred with a high-pressure gas well it was not safe to continue production, hence the decision by BP to shut in the well (i.e. stop production).

¶4. (C) Home said that BP was sending for 'production logging tools' to be sent to Azerbaijan, so that the source of the leak could be found. These tools will arrive in Azerbaijan the early part of next week (Dec 25-29). Home said that with these tools, the necessary testing will be finished in early January. At that time BP will know what to do next. He said that BP would not flow the well until the cause of the leak was known.

At best, if there is just a leak at a joint, the leak will simply need to be patched. However, if the testing shows a design flaw, then BP would have to "pull the completion," a much longer process.

¶5. (C) Home also confirmed reports of delayed openings of the second Shah Deniz well from mid-January to "early to mid-February at the earliest," and the third well from mid-February until early March at the earliest. He explained that the drilling rig currently drilling the second well will have to be moved back to the first well for the required testing, a process which takes ten or so days. He added that if the tests show design flaws were the cause of the leak in SD01, then the start dates for the second and third Shah Deniz wells might well be pushed back much further in an attempt to avoid similar problems.

HYLAND